



DDI #4641-82
4 June 1982

NOTE TO: Director of Central Intelligence

FROM : Deputy Director for Intelligence

SUBJECT: PFIAB Report on Economic Intelligence

Bill

1. In the proposed PFIAB report on US Economic Intelligence provided to you by Leo Cherne, it is noted that "the most important judgment this Board can make is that further strengthening of economic intelligence, a process already underway, is essential if we are to be able to use the most powerful element of our national strength -- the size and strength of the American economy." Needless to say, we could not agree more. We are doing this in two areas germane to the recommendations of the Board:

- Level of Effort: In FY-83, the DDI has asked for some 25 additional positions related to economic, resource and technology questions. For FY-84, I have constructed a budget proposal that will add some 64 additional positions in these areas. I might note that the FY-84 request includes a dozen positions to work on the Soviet economy, the first request for new positions in this area in well over a decade.
- Capabilities: We are building capabilities in which we have hitherto been weak that are consonant with the Board's concern that we be able to provide intelligence support for policy options relating to economic retaliation against both the Soviet Union and other countries (e.g., Iran). To this end we are creating a substantially enlarged effort on foreign industrial competition, civil technologies, technology transfer, trade balances, debt and international finance, hard currency questions, and so forth. As noted earlier, some of these areas are ones in which we've had little capability before and are building a new one; in others, we are rebuilding capabilities that have been allowed to deteriorate over the years.

2. As you noted yesterday, you and I have identified many of these same weaknesses in our economic analysis as noted by the PFIAB

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and are taking steps to correct them. Indeed, they are the basis for the way I built the FY-84 budget. To put the best face on it, I'm glad PFIAB came to the same conclusion and acknowledges in their report that we are already taking action.



Robert M. Gates

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